

## Natural Gas Prices Rise on Nuclear Outages, Drought

By OGJ editors

**HOUSTON, Mar. 25** -- Natural gas prices have gotten a boost from concerns about safety at some U.S. nuclear plants and also drought conditions on the U.S. East Coast, said analysts with RBC Dain Rauchers Inc., a subsidiary of RBC Capital Markets.

The Davis-Besse nuclear plant in Oak Harbor, Ohio, will be off line longer than originally expected because of corrosion caused by leaking boric acid in the reactor vessel head, said FirstEnergy Nuclear Operating Co., a subsidiary of FirstEnergy Corp., Akron, Ohio.

The plant was undergoing a refueling and maintenance outage and had been scheduled to return to service by Mar. 31. Discovery of the corrosion problems caused the outage schedule to be extended by 60-90 days. The exact length of the outage has not yet been determined, FirstEnergy said.

Dain Rauscher estimated incremental natural gas demand caused by the loss of Davis-Besse plant is 250 MMcfd. Meanwhile, 69 nuclear plants out of 109 U.S. nuclear plants could have similar problems.

"The gas markets clearly are focused on the uncertainty created by the Nuclear Regulatory Commission's demand that all 69 plants with the same design have been required to answer a 12-page bulletin of questions regarding corrosion inspections within the next 15 days," RBC Dain Rauscher said in a Mar. 22 research note. "If the 10 plants now down for maintenance remain off line due to this issue, we could see an incremental 4-6 bcfd of [gas storage] withdrawals during the summer."

The 2003 New York Mercantile Exchange gas strip rose to \$3.81 per MMBtu at the close Mar. 21, up almost 40¢ on the day. The April gas contract closed at \$3.457/MMbtu today, up more than 13¢ from Friday's close.

Meanwhile, the market's bullishness for gas also stems from a drought on the U.S. East Coast, RBC Dain Rauscher said, adding that the loss of hydropower probably will result in increased demand for gas of roughly 0.5 bcfd vs. a year ago. This also could further impact coal and nuclear power generation, because some of those facilities rely on fresh water for cooling.

With strong housing starts data, indicating an economic recovery is under way, and a declining natural gas rig count, combined with concrete data that gas deliverability is declining, RBC Dain Raucher said the outlook for oil and natural gas exploration and production company stock prices is improving.